Don't use borrowed money for seniors

By Peter DeFazio

For the first time in more than 30 years, seniors and disabled workers on Social Security will not receive a cost-of-living adjustment next year. To address this issue, I recently joined with U.S. Sen. Bernie Sanders, I-Vt., and introduced the Emergency Senior Citizens Relief Act. The legislation will provide a one-time, $250 payment — or roughly a 2 percent cost-of-living adjustment — to Social Security beneficiaries next year.

President Obama and a number of advocacy groups recently came out in support of the payment. However, an Oct. 17 editorial in The Register-Guard stated that, "Senior citizens should be able to understand that if there's no increase in the cost of living, there should be no adjustment in benefits." The editorial also argued that the checks should be issued, using borrowed money, as a way to stimulate the economy.

I disagree with the premise that the cost of living has not gone up for seniors this year. Furthermore, I do not agree with Obama or The Register-Guard that we should use borrowed money to provide the payments.

The cost of many things seniors have to buy — especially Medicare premiums and prescription drugs — have gone up dramatically.

For example, Medicare Part D prescription drug premiums, which are deducted from monthly Social Security payments, will go up by an average $15 a month, or roughly 11 percent, next year. To make matters worse, 80 percent of all Medicare prescription drug plans do not have any kind coverage for those who fall into the so called "doughnut hole," further increasing the burden of prescription drug costs for seniors.

The cost of housing has also gone up. Here in Oregon property taxes are up an average of 3 percent, and some places are seeing increases close to 8 percent — yet these taxes are not included in the current calculations for the Social Security cost-of-living adjustment.

The current formula used to calculate cost-of-living adjustments for Social Security beneficiaries does not take into account the purchasing habits of seniors. Instead, it is based on the Consumer Price Index, which overemphasizes food and consumables such as computers and iPods, while seniors' budgets are heavily weighted toward health care and housing. Tell a 75-year-old widow — a woman scrimping by on $14,000 of Social Security benefits and a small savings account earning only 1 percent interest who is facing an increase in the cost of her medications — that the cost of living has not gone up.

That is why Sen. Sanders and I have been trying to get a new index of a CPI for the elderly for years by introducing the Consumer Price Index for Elderly Consumers Act. The legislation would establish a CPI-elderly for Social Security recipients that would compute the real cost of living for seniors by focusing on the rising cost of products most often purchased by seniors, such as medical care, housing and prescription drugs.

But in the meantime, it is imperative that we give seniors this onetime payment of $250 to address their rising cost of living next year.

Nearly 70 percent of beneficiaries depend on Social Security for at least half of their income, and Social Security is the sole source of income for 15 percent of recipients. Furthermore, more seniors have been forced into poverty as a result of this recession. According to the National Academy of Sciences formula, the poverty rate among Americans 65 and older is an alarming 18.6 percent, more than double the official poverty rate of 9.7 percent for seniors, which does not accurately reflect medical expenses.

Obama and I agree that seniors need a cost-of-living adjustment next year to make ends meet. However, we disagree on how to fund the $250 payment. Though this might provide economic stimulus, as The Register-Guard argues, we should not use borrowed money to pay for it.

I would like to instead change the tax structure to make the plan deficit neutral. My plan subjects income over $1,290,000 to the Social Security payroll tax (FICA) for next year. Currently, only earned income below $106,800 is subject to FICA tax. This ensures the $250 payment to our seniors is not paid for on the backs of future generations.

It is not too much to ask that those who are the wealthiest among us pay the same rate of tax as average working Americans so our seniors can have a much-needed cost of living adjustment next year.

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